United States
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icultural Service

Foreign Agriculture

November 1982

**U.S. Livestock Exports:
Taking the Bull
By the Horns**

Marketing News

Recent Crushing Trial Paves Way for U.S. Soybean Exports

U.S. soybean shipments to Venezuela and Chile may increase in the near future as a result of recent successful soybean crushing demonstrations in these countries by the **American Soybean Association (ASA).** Farmers in Wisconsin, Indiana and Ohio donated 100 tons of soybeans to two oilseed mills in Chile and Venezuela to show that U.S. soybeans can be crushed efficiently and profitably. Millers in these countries believed that crushing soybeans was difficult and fraught with problems. Even though there is a shortage of domestic oilseed crops in Chile and Venezuela, many crushing plants are currently idle because crushers are reluctant to use soybeans. ASA's demonstration proved that high-quality soybean meal and oil can be obtained from crushing U.S. beans. The success of the ASA's crushing demonstration has already sparked interest in purchases of U.S. soybeans for crushing.

New Loan Program for Small, Export-Minded Firms

The U.S. **Small Business Administration (SBA)** has a new loan program to help small firms market their products overseas. Under the program, SBA will guarantee up to 90 percent of a loan made by a bank or other lending institution to a small company. The loans provide a maximum guarantee to one business of $500,000 on a revolving loan or on several loans. The maximum lenth of a revolving loan is 18 months.

Loans are available in two general categories. The first is for pre-export financing, for such purposes as purchasing supplies, inventories, materials and for other working capital needed for manufacturing or wholesaling products for sale overseas. The other category is for such expenditures as professional marketing advice and services, foreign business travel and participation in trade shows and other overseas promotional activities. These loans are available to manufacturing, wholesaling and service companies. For further information, contact the finance division of your local SBA district office.

Heavy Lamb Projects Spur Sales of U.S. Feed Grains

The **U.S. Feed Grains Council's (USFGC)** "heavy lamb" programs are sparking overseas demand for U.S. feed grains in the Middle East and Europe and the potential for greater sales has just been scratched. Today local farmers in several Middle Eastern and European countries are fattening their lambs by feeding them grain—a break that challenges centuries of tradition.

Lambs are weaned early and fed feed grain rations to bring them to a heavier slaughter weight. In Middle Eastern countries, in particular, this is a dramatic departure from the traditional nomadic system of grazing ewes and slaughtering lambs immediately after weaning. But the benefits are great—a heavier lamb to market for greater profit and more ewe's milk for marketing. The increased market returns more than offset increased feed costs. Support for the program has spread from farmers to local officials.

Programs such as this bring strong dividends back to U.S. growers and businesses in the form of increased demand for corn and sorghum. The sheep program now taking hold in Syria and Jordan has already had 12 years of success in Spain. There, the number of sheep directly involved in the Council's program has mushroomed from only a small number to 1.5 million. In Spain's sheep industry alone, the USFGC's program has helped spark an additional 10 million bushels of annual corn demand, and additional growth is seen in coming years. Given the keen interest in this same program in the Middle East, USFGC believe similar growth can be realized in that region, too.

But the Council's plans do not stop there. It is now working to introduce the sheep fattening system in Portugal, Italy, Greece, Yugoslavia, Hungary and Morocco.

The Magazine for Business Firms Selling U.S. Farm Products Overseas

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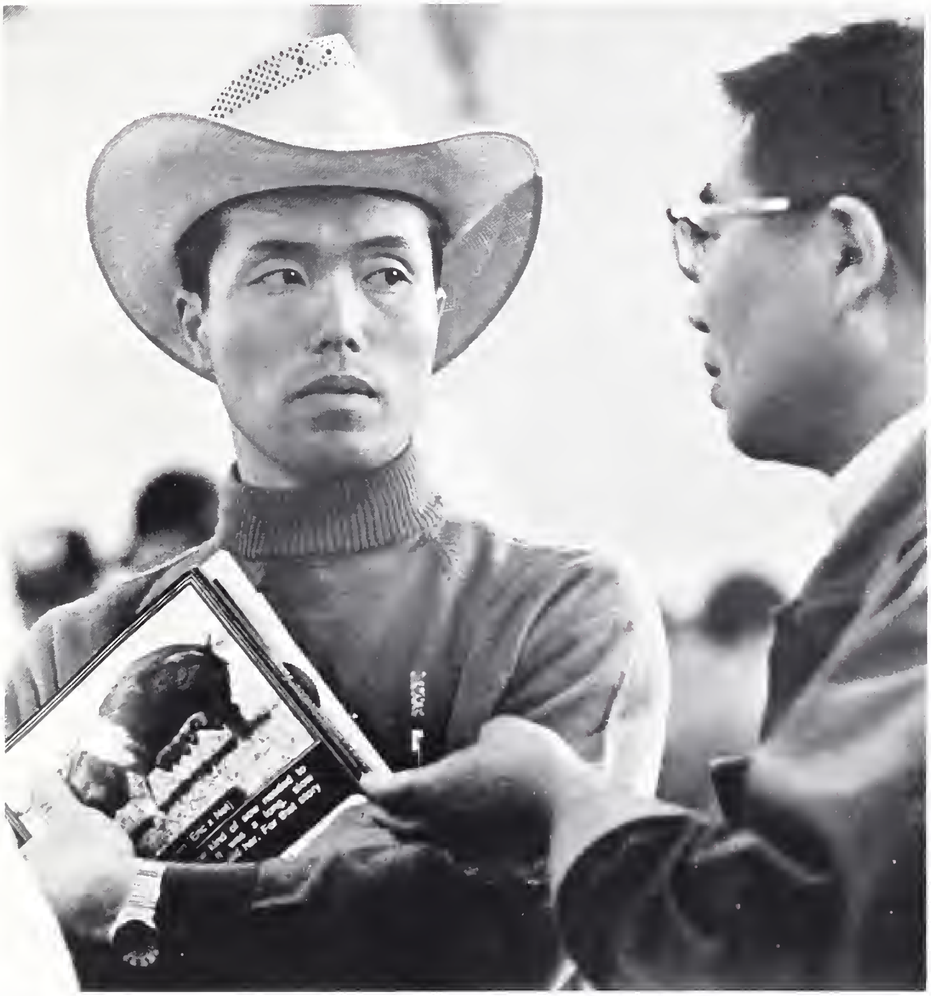
Animal Product Exports Now Top Imports



Clockwise from top:
Japanese buyers at Minnesota hog show. Containers of livestock semen about to be loaded for export. High-quality U.S. beef.

By James Fowler

The United States, for many years a net importer of animal products, has emerged as a net exporter with annual sales at around $4 billion. In fact last year, U.S. exports of livestock, dairy and poultry products exceeded imports by $750 million.

Another surplus is likely for 1982, although exports of certain categories may slip below 1981 levels.

Total exports of U.S. dairy, livestock and poultry products rose to $4,278 million in 1981. Currently they are projected at $4,175 million for 1982 At the start of the 1970s, these exports totaled only $865 million, and at that time the United Sates had a net deficit of $697 million.

Here's a brief rundown of export trends and markets for some of the most important livestock products.

U. S. Beef, Variety Meats Have Strong Sales Appeal Abroad

U.S. fresh and frozen beef sales increased from $29 million in 1970 to $242 million in 1981—and sales have continued to climb this year. Japan, the major buyer in 1981, took roughly two-thirds of U.S. exports, followed by Canada, Saudi Arabia and the Bahamas. This is one area where large potential markets are foreseen as other consumers become acquainted with grain-fed beef.

Variety meats (livers, tongues, tripe and so on) have climbed more than fourfold in the past decade to $300 million last year. These meat products are still selling well this year. Major buyers are the European Community (EC), Japan and Mexico.

A substantial increase in world pork production during the past decade has cut down on export opportunities for U.S. pork producers. Nevertheless, U.S. pork exports had climbed to $250 million by 1981, although some reduction from that level is likely this year.

U.S. Poultry, Egg Markets Span the Globe

Exports of poultry and poultry products increased rapidly during the past decade to $770 million in 1981. However, exports this year are suffering from competition with subsidized exports by the EC and Brazil in the Middle East, usually a large U.S. market.

Fresh and frozen chicken exports represented half the total export value for this product category in 1981. The top markets are generally Japan, Egypt, Venezuela, Singapore and Mexico.

U.S. exports of eggs surged from $13 million at the start of the 1970s to $175 million last year, but sales this year have fallen due to subsidized competition similar to that for poultry meat. The biggest U.S. egg markets are Japan, Hong Kong, Mexico, Canada and the Middle East.

Cattle Hides Register Strong Gains

Whole cattle hides generated over $600 million in export earnings in 1981—and hides are one of only a few livestock products registering export gains in 1982.

Japan generally ranks as the top U.S. market and, in fact, purchased nearly half the 1981 total. Other major markets usually are Korea, Mexico, Taiwan and Italy.

Most of the U.S. hides and skins exported end up in footwear, upholstery, luggage, wallets, purses and gloves. Sales for these uses have remained good in spite of the competition from polyvinyl and other leather-like products.

U.S. furskin exports totaled over $300 million in 1981, but this year's sales may be down a bit. The EC usually is the No. 1 buyer, using the skins in fashioning luxury garments.

What's Ahead for U.S. Exporters

Representatives of two trade groups that cooperate with FAS in promoting livestock products overseas are generally pretty optimistic about the future.

Here's how they see market opportunities for their products shaping up in the year ahead:

Bud Snidow, Assistant Secretary, American Hereford Association.

"Our best market is going to be in those countries that are more sophisticated in beef production—that is, those countries that have an ample supply of grass, grain and feed. When world economies pick up, we will be ready. And I think there will be a strong demand for our animals. The United States has done much to gain the confidence of foreign cattlemen."

William Durfey, Executive Vice President, National Association of Animal Breeders.

"Generally, prospects look very good for sales of frozen semen. We see potentially strong markets in Great Britain, Australia, Japan and the Netherlands. However, there will be increasing competition from Germany."

Fats and Oils Find Ready Markets Abroad

The United States is the world's largest producer of animal fats and oils—and surplus production generally finds ready markets overseas.

U.S. exports of animal fats and oils rose an average of 5 percent each year from 1969 through 1981. However, this year sales may slip somewhat.

The dominant position of the United States in world markets is largely the result of its livestock production system—which feeds cattle and swine for their marbling. This produces more fat and hence more tallow than pasture feeding, on which many other large livestock producers rely.

U.S. exports of inedible tallow—the leading export item in this category—totaled $645 million last year, up 70 percent from a decade earlier.

The United Kingdom, the Netherlands, Spain, Japan, Egypt and Mexico represent the best markets for U.S. inedible tallow. The USSR has also been a big buyer over the last four years. In all of these markets, the biggest use has been in mixed animal feeds for poultry and cattle. Soapmaking is another, somewhat smaller, outlet.

U.S. lard, choice white grease and edible tallow and greases have also sold well overseas, although some decline is expected this year from 1981's combined total of $89 million.

Canada, Mexico, Japan and the United Kingdom—the biggest customers for U.S. edible fats—generally use them in shortening blends where higher melting points are desirable. Some of the lard also goes into margarine, in foods requiring solid fats rather than oils, and ointments.

More U.S. Stock and Semen Also Moving Into Export

The United States is a net importer of live animals—but it runs a substantial trade surplus in exports of breeding stock. In fact, the United States is one of the world's leading suppliers of high-quality cows and bulls for herd improvement. Exports in 1981 totaled $40 million. A 25-percent increase is in prospect for this year

U.S. sales of frozen semen have also been growing rapidly in recent years, reaching $21 million in 1981. That was three times the sales level only two years earlier. ■

The author is an agricultural economist with the Dairy, Livestock and Poultry Division, FAS. Tel: (202) 447-6639.

Live Animal Exports: 'The Herd Shot 'Round the World'

By D.R. Miller

Live animal exporting has come a long way since the time of Noah, who spent many days and nights in search of a quarantine facility that would accept his animal cargo.

Today, the United States exports some 400,000 head of live animals annually to more than 75 countries. These animals are no longer consigned to arks, either. More than 90 percent of all U.S. livestock exports (except those to Canada and Mexico) travel by air.

The United States is one of the leaders in live animal exports. Other countries turn to U.S. breeding material when expanding their own livestock industries, an expansion brought about by increasing demand for more meat and milk products.

Recognizing the extensive, outstanding genetic pool in U.S. livestock, these countries import quality breeding stock. And increased livestock production often leads to further imports of U.S. feed grains, protein concentrates, farm equipment, pharmaceuticals and technical assistance.

Many factors affect a country's decision to import animals and the level of these imports. These include government policy, economic and political conditions and the price and availability of imported animals. Countries must also consider the price of feed, prices received or anticipated for end products and trade barriers.

The United States itself was once a volume importer of breeding animals, but through selective breeding and nutrition programs has developed internationally recognized, genetically superior animals.

Today, the United States serves two kinds of markets for breeding animals:

U.S. Exports of Live Animals Showing Gains

	1979	1980	1981
Head			
Total cattle	66,173	**65,571**	**87,818**
Dairy cattle (breeding)	29,245	12,875	17,536
Beef cattle (breeding)	10,122	11,975	14,715
Sheep	125,395	123,521	220,882
Swine	13,444	16,291	24,124
Horses	29,142	65,652	66,900
Total [1]	**234,154**	**271,035**	**399,724**
Million $			
Semen	16.4	19.8	20.6

[1]Includes only animal categories listed above.

- Countries establishing their animal industry, needing large numbers of average (by U.S. standards) quality, non-pedigreed stock.

- Countries with established animal industries that seek a small number of high-quality, pedigreed animals.

Canada and Mexico remain the largest customers for U.S. live animals, purchasing mostly feeder and slaughter cattle, but also a considerable amount of breeding stock.

In 1981, the United States exported more than 17,000 head of dairy breeding animals, mostly to Mexico, Canada, South Korea, Japan and Saudi Arabia. But other large markets are beginning to emerge in Venezuela, Taiwan, Colombia and Tunisia.

As in dairy cattle shipments, the best prospects for sales of beef breeding stock, swine, sheep and horses are to countries currently importing in large volumes.

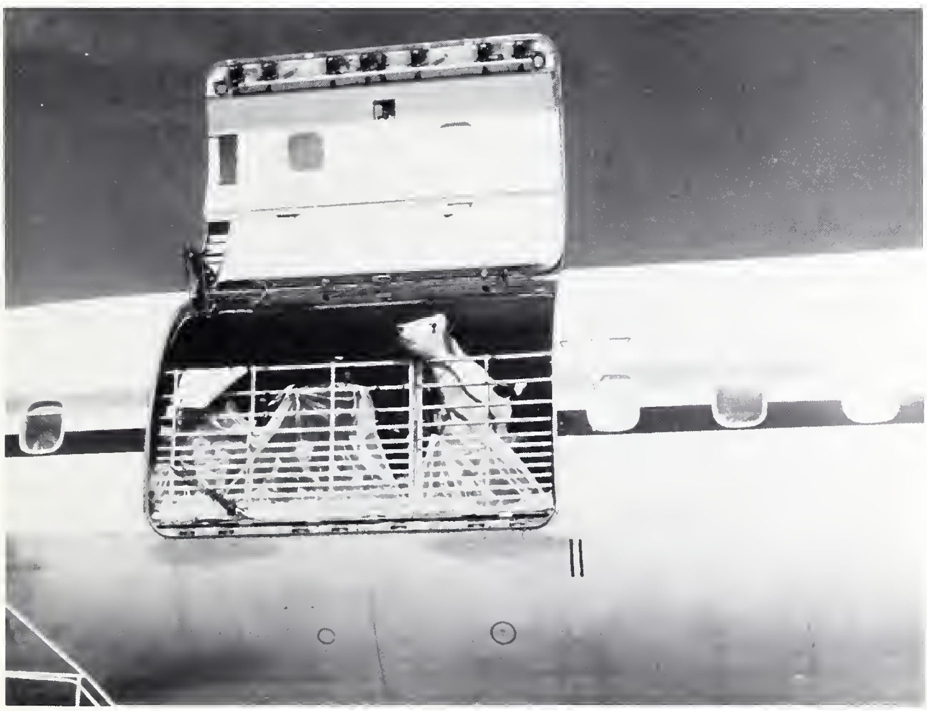
Major competitors for livestock sales—Canada, the European Community (EC) and Australia—tend to offer lower prices because of better financing and lower transportation costs. However, they are unable to provide the superior genetics and variety of bloodlines offered by the United States.

How-To's of Animal Exporting

Foreign buyers interested in purchasing U.S. breeding livestock generally start by contacting a breed association, the U.S. agricultural counselor or trade officer in their country or an import/export agent. They sign a contract outlining specifications, conditions and terms of payment—usually a letter of credit, sight or time draft, or open account.

Buyers, or their representatives, also make a tentative selection of animals and contact a freight forwarder or experienced exporter to determine shipping costs and the method of transportation and to make initial shipping arrangements.

In the United States, health tests required by USDA's Animal Plant Health Inspection Service (APHIS), the buyer, and/or the country of destination are begun. If required, registration certificate transfers are ordered from the breed association for each animal. A list of animals selected is made and shipping arrangements are finalized.



The animals are then assembled at one of USDA's export animal inspection facilities. An APHIS inspector compares health certificates with animals presented, checks ear tags for identification, inspects animals for disease and certifies them for export.

The precious passengers are fed, watered and rested. Then they are transported in disinfected, sealed vehicles to the aircraft or ocean vessel at the point of export for boarding, final inspection and certification.

Finally, the animals arrive at their destination. At this point, the buyers accept delivery and become responsible for health and proper handling.

Successful Trip Hinges On Many Factors

The success of any animal's trip is dependent on an array of organizations and individuals. Some of the more serious shipping concerns include highly specialized equipment and crews, atmospheric controls, advanced preparation and a minimum of delays. Also needed are large facilities for assembling and quarantine, attention to stringent and changing health regulations and documentation in importing countries, and adequate transportation facilities.

Despite all the variables involved in getting an animal to its destination, air and ocean animal carriers have made delivery quite safe and economical. Developments in the transportation industry have enabled livestock producers to look far beyond their borders for markets.

Air vs. Ocean Shipping

Exporters rely on air and ocean animal carriers to deliver high-quality animals in a safe and economic manner to markets all over the world. While ocean transportation is more feasible for larger shipments (300-plus head) and often cheaper per unit, air-shipped animals can reach nearly any point in the world in less than 30 hours—an important consideration.

Ocean shipping was the predominant method of animal exporting until the 1960s, when the cost/benefit ratio of the two methods began to equalize. Today, air shipment has become the dominant method because of larger, faster planes, improved handling and environmental conditions and competitive pricing.

Spearheading the effort to expand U.S. live animal exports is USDA's Foreign Agricultural Service (FAS) through its work with market development cooperators. Today, eight beef breed associations, two dairy breed groups, two horse breed associations, as well as one each for the swine and semen industries, are active in market development activities on all continents.

Through market studies, trade servicing, promotions, seminars, and trade barrier identification, these cooperator groups are giving more U.S. animals the chance to see the world. ■

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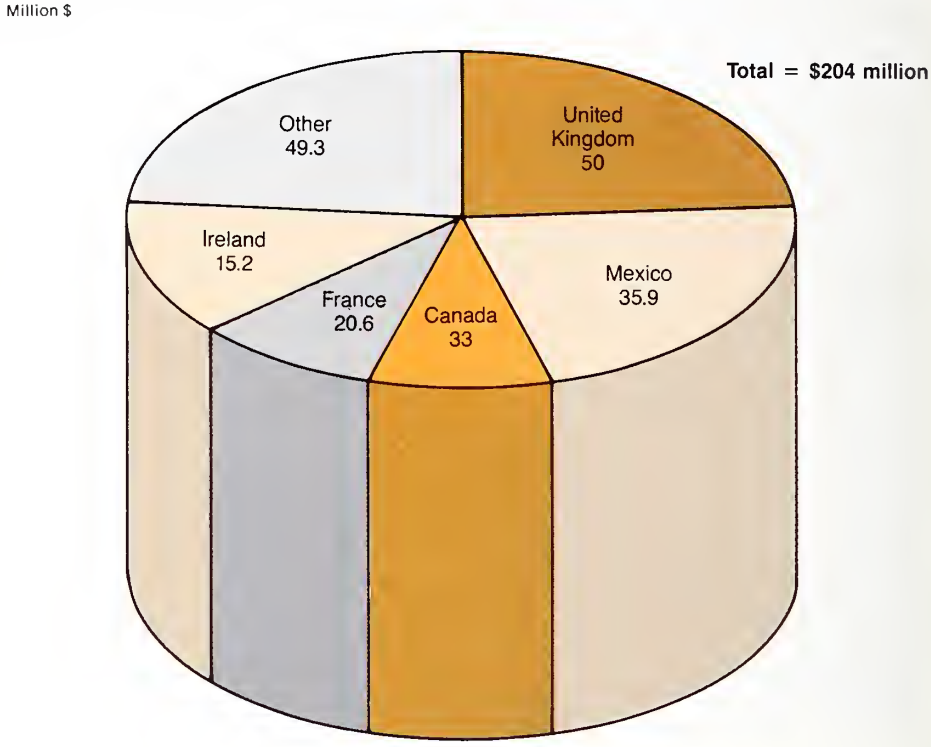
Five Major Markets Take Most U.S. Animals, 1981



Genetic Exports Improve Herds

By William M. Durfey

Measured against live animal imports, frozen semen has lots of advantages. It provides access to the most highly selected genetics. It's less expensive to purchase and transport. There's less risk of introducing a disease. And the problem of an animal adapting to a new environment is diminished.

These are a few of the reasons why U.S. semen exports have shot up from $6 million in 1976 to $12 million in 1978 to nearly $21 million in 1981. An aggressive international education program on the part of the National Association of Animal Breeders (NAAB), an FAS cooperator group since 1974, has also helped.

NAAB, the trade association for the artifical insemination (AI) industry for 36 years, represents 35 privately owned companies and farmer-owned cooperatives that produce over 95 percent of all semen in the United States and virtually all of the semen exported.

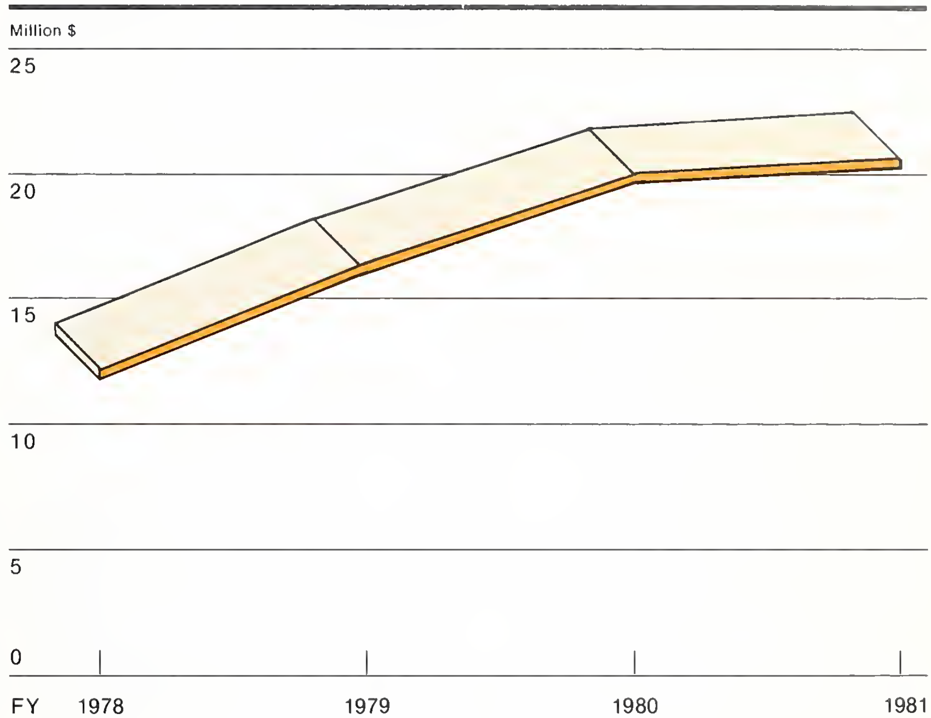
NAAB is a nonprofit arm of the AI industry whose goal is to improve understanding between members, and between members and semen users. It is in this role that NAAB first became involved in the international marketing of semen.

NAAB overseas functions in much the same way as it operates domestically: as a problem solver and as an educator building understanding of the needs of users and practical limitations of suppliers.

One of NAAB's primary activities is to participate in discussions of import requirements with foreign countries. In the case of frozen semen, most of these requirements deal with health testing procedures and genetic evaluations for donor bulls whose semen is to be imported.

Group representatives have participated in many meetings with European Community (EC) officials in the health area and with Italian officials on genetics. Outside the EC, they have also played a role in talks with the Japanese, Australians and Austrians. NAAB members participate in a number of trade shows every year. The organization also conducts market surveys and produces promotional and educational materials to help importers better understand to what point U.S. exporters can feasibly meet their specific requirements.

Semen Exports Register Sharp Gains



Members follow a time-tested protocol for the health testing of bulls. Certified Semen Services, a subsidiary of NAAB launched in 1976, provides an auditing service for AI businesses to monitor compliance with the protocol.

A national dairy sire summary published by the U.S. Department of Agriculture serves as the basis for dairy sire evaluation and selection. Milk and butterfat records for 2.7 million cows in 35,000 herds are annually recorded for use in calculating the USDA sire summary.

Use of the USDA dairy sire summary by the technical staffs who work for the artificial insemination companies ensures that the best genetically superior bulls are used for artificial insemination.

For beef, genetically superior bulls of many breeds are in artifical insemination service throughout the United States. Beef bulls are evaluated and selected on the basis of performance and progeny test records. Use of artifical insemination by beef cattle producers facilitates crossbreeding, and improves growth, reproduction and calf survival.

Exports of semen have widespread benefits for U.S. agriculture, according to NAAB officials. By maintaining awareness of the high quality of U.S. genetics among foreign livestock producers, semen sales also spur sales of live breeding cattle. In addition, the improvement in overall livestock quality in foreign countries generates a greater demand for U.S. high quality feedstuffs and other agricultural products. ■

The author is Executive Vice President, National Association of Animal Breeders, Columbia, Mo. (314) 445-4406.

U.S. Meat Exports Face Tough Market Situation

By Howard Wetzel

U.S. travelers abroad who enjoy the native dishes of a foreign country may be closer to home than they think.

The steak and kidney pie they eat in a British pub, the sukiyaki at a Japanese hotel or arroz con pollo at a Caribbean resort might well be made with meat produced back home in the United States.

The United States sells less than 25 percent of the poultry meat and less than 5 percent of the red meat traded internationally. However, its large-scale production and an excellent marketing and transportation system enable U.S. exporters to supply substantial quantities of special cuts of meat and poultry to export markets at relatively short notice.

However, so far in 1982, U.S. meat exports have fallen from the 1981 record high because of a stronger dollar, higher prices, increased competition from other suppliers and soft economic conditions in many foreign countries.

In 1981, U.S. meat exports consisted primarily of poultry meat, variety meats, beef, veal and pork. Japan bought almost 60 percent of U.S. beef and veal exports and a large part of the pork shipments. European Community (EC) countries bought more than half of the variety meats. Many poultry meat exports went either to the Middle East (27 percent) or Japan and other Far East countries (29 percent). Neighboring Canada and Mexico and several Caribbean countries also took important shares of almost all U.S. meat shipments.

U.S. A Big Importer, As Well as Exporter

The United States also imported 602,846 metric tons of beef and veal and 195,759 tons of pork in 1981. Why is the United States such a big importer, while at the same time being a major exporter? Because of its strong demand for certain cuts or types of meat especially for use in processed and convenience foods. At the same time, U.S. livestock producers tailor their production to higher value domestic and foreign markets.

Japan No. 1 Market for U.S. Meat Exports

(In metric tons, 1981)

Destination	Beef & veal	Pork	Variety meats	Poultry meat	**Total**
Japan	43,696	40,031	35,202	64,958	**183,887**
EC	2,100	3,127	108,549	18,870	**132,646**
Middle East	5,074	302	12,976	107,300	**125,652**
Mexico & Canada	9,924	29,305	37,619	35,882	**112,730**
Caribbean	7,244	15,167	7,180	51,014	**80,605**
Far East [1]	3,978	1,289	1,455	49,085	**55,807**
Other	2,652	11,665	7,000	67,443	**88,760**
Total	**74,668**	**100,886**	**209,981**	**394,552**	**780,087**

[1]Excluding Japan.

The United States imports canned hams from Denmark, Poland and several other central European countries. However, imports account for a relatively small share of the U.S. market.

American exporters ship pork loins, butts and primal cuts to other countries, including Japan and Mexico. The pork trade with Canada varies depending on relative prices and supplies.

U.S. beef exports consist mainly of high-quality beef (from grain-fed cattle) which goes to restaurants and supermarkets in Japan, Saudi Arabia and about 100 other destinations.

However, the United States imports even larger quantities of grass-fed beef from Australia, New Zealand and Central America for processing into hamburger and other convenience foods.

In recent years, world trade has increased more rapidly in poultry meat than in red meats. U.S. exports have closely followed this pattern. In the five-year period ending in 1981, U.S. exports of poultry meat grew 117 percent while combined exports of red meat and variety meats advanced only 11 percent. Most aspects of the mixed global economic situation seem to have helped demand for poultry meat.

In the developing Middle East and Far East regions, where chicken is very popular, economic growth has encouraged greater production of poultry meat, but imports have risen, too.

In the industrialized countries, where inflation has recently eroded income gains, poultry meat is gaining acceptance as a lower cost substitute for red meats.

Improvements in chicken and turkey feed conversion rates and gains in large-scale production practices have made it possible to produce poultry meat at a cost well below beef or pork.

If current economic conditions persist, demand for poultry meat is likely to continue growing. However, heavy competition from other suppliers—whose exports are subsidized—hampers the ability of U.S. poultry exporters to sell in world markets.

During the first seven months of 1982, U.S. poultry exports fell 26 percent to roughly 173,000 tons. A 90-percent drop in sales to the Middle East, where competition from European and Brazilian

exporters is intense, accounted for much of the decline. Subsidies by the European Community (EC) and Brazil are making it difficult for the United States to compete in these markets.

A stronger dollar is also discouraging U.S. exports by raising the price, in terms of foreign currency importers pay for U.S. meats. Pork exporters have been particularly hurt because a 9-percent dip in production in the first half of 1982 has already pushed up U.S. prices considerably.

Japan offers a good example of how higher prices affect exports. When compounded by a stronger dollar, the price in June of U.S. pork loins, in terms of Japanese yen, skyrocketed 35 percent over last year's level. Japanese pork importers reacted by diverting some of their purchases to Canada and Taiwan.

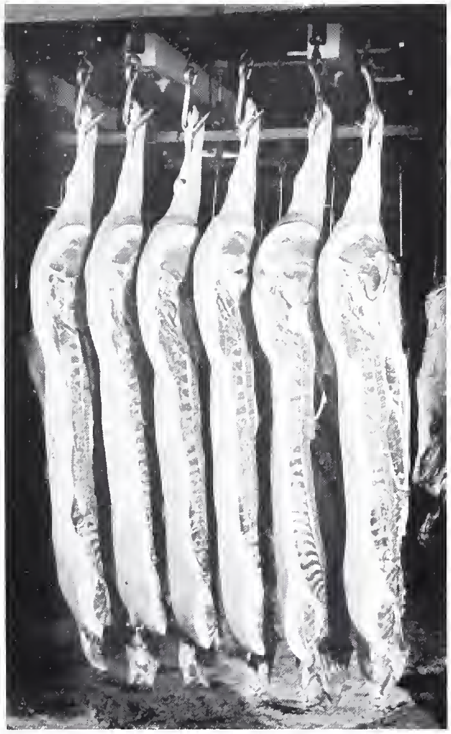
This depressed the U.S. pork trade with Japan by 25 percent in the first seven months of 1982 and pork exports to all destinations by 24 percent from the same period last year.

However, some improvement in U.S. pork exports may result from tighter world supplies brought about by the outbreak of foot-and-mouth disease in several Danish swine herds last March.

Accordingly, the United States, Japan and Canada, among other pork importing countries, have indefinitely suspended imports of fresh, chilled and frozen pork from Denmark. U.S. pork exports to Japan could turn around if allowed to make up part of the 40-percent share that Denmark had in the Japanese market during 1981.

Other Markets Favorable

Exports of U.S. beef and veal and variety meats so far in 1982 have brightened an otherwise bleak meat export picture. Through July, overseas sales of beef and veal as well as variety meats rose 12 and 11 percent, respectively. Shipments of variety meats rose



primarily on the strength of increased sales to Mexico, Venezuela and several EC countries.

Europeans are finding a ready use for competitiely priced U.S. beef and pork offals in sausages, pates and other traditional foods. U.S. beef shipments to most destinations have remained steady while showing a 19-percent increase to Japan.

The Japanese agreed during the Multilateral Trade Negotiations, (MTN) of 1979 to increase their minimum imports of high-quality beef each fiscal year through 1983. In recent years, the United States has supplied around 90 percent of these imports.

U.S. efforts to expand meat exports provide a good example of how government and industry work together to achieve a common goal. FAS cooperators, such as the Meat Export Federation and the Poultry and Egg Institute of America, regularly join forces with U.S. agricultural officers in overseas posts to stage promotions that identify U.S. meats as high-quality products from reliable suppliers.

As well, USDA's Food Safety Inspection Service closely monitors changes in foreign meat import regulations.

FAS and its cooperators relay this information to packers and exporters through technical seminars, meetings, publications and direct contacts.

In an international trade environment characterized by increasing protectionism, U.S. government negotiations to reduce trade barriers and stop unfair trade practices have taken on added importance. To consider the needs of the private sector, agricultural technical advisory committees provide the U.S. meat industry with a means of influencing trade policies as they are being shaped.

U.S. Negotiates Agreements

The U.S. strategy to expand beef exports has been to negotiate agreements for high-quality beef with several trading partners which call for them to import minimum levels of grain-fed beef.

During the MTN, the United States made agreements with five countries. So far, the results have been mixed, in part because of administrative difficulties imposed by foreign governments.

With the exception of the United States, Canada and Japan, most of the world consumes grass-fed beef from cattle raised solely on pasture. Although cheaper to produce because little or no grain or concentrates are fed to cattle, grass-fed beef does not have the flavor and tenderness of U.S. grain-fed beef.

The U.S. beef industry hopes that through trade agreements, market promotions and educational programs, more foreign consumers will develop a taste for high-quality beef.

Streamlining Market Development—A Case Study

By Alden Nickerson

In light of today's austere economy and fluctuating trade conditions throughout the world, nearly all export organizations are re-tooling their marketing development tactics to make the most effective use of their dollars.

The National Renderers Association (NRA), representing the U.S. rendering industry, is no exception. In a series of studies conducted over the past year and a half, the NRA concluded that its market development programs were not as cost effective on a country-by-country basis as they should be.

NRA has been an FAS cooperator since the early 1960s.

The renderers group found that today's buyers have become more cost conscious and are seeking alternative raw materials as evidenced by the increasing competition from palm oil. Developed market countries are demanding higher quality and reliability of supply as price competition sharpens. Developing market countries are demanding more technical assistance and guidelines in the use, transportation and storage of products.

The NRA concluded that in developed markets, it must place less emphasis on technical and generic promotion and more attention on advanced product technology and trade servicing to resolve problems. Dissemination of trade opportunities and market information and old-fashioned trade calls are also important.

In developing countries, the NRA found a need for more basic market development activities, such as technical seminars, feeding trials and technical teams.

A major change planned by the NRA following the studies will be the co-location of its personnel with the U.S. Agricultural Trade Offices (ATOs) in London and Singapore. This will cut administrative costs because cooperators pay no rent in ATOs.

These new offices will cover the areas formerly served by the NRA regional offices in Brussels and Tokyo. Part-time, in-country consultants will be used in Taiwan, the Indian subcontinent, Hong Kong and the Philippines.

The NRA's area of marketing development coverage has nearly doubled with added emphasis in the developing and new markets in Africa, the Middle East, the Indian subcontinent and Southeast Asia.

The United States is the major tallow producer/exporter in the world. In calendar years 1980 and 1981, the U.S. industry exported nearly 50 percent of its production of tallow and greases for an export value of $727 and $700 million, respectively.

In fact, the U.S. rendering industry accounted for nearly 16 percent of the combined export value of the country's dairy, livestock and poultry complex during 1981.

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Easing Import Quotas

U.S. efforts to open up foreign beef markets are only beginning. In negotiations which began in October, the United States encouraged Japan to increase beef purchases even more by liberalizing its import quota system. Japan has strongly resisted such pressure in the past because of a desire to maintain domestic beef production. This is costly to the Japanese because of a shortage of land to produce feed, small herd sizes and government programs that have protected inefficient producers.

The results of efforts to promote U.S. meat exports reach all the way back to the American producer via higher prices. Although U.S. exports of beef and pork account for only 1-2 percent of domestic production, the impact on prices is anything but negligible. For poultry, where exports take more than 5 percent of production, the impact of foreign sales on U.S. prices is even more favorable.

FAS estimates that beef exports added about $3 to the price of every steer and heifer sold by U.S. cattle producers last year. When the impact of beef variety meat exports (about 40 percent of all domestic production) is also considered, the added value approaches $10 per head. Although variety meat is only a small part of the carcass it is a large part of exports. Strong export demand boosts its value appreciably.

With this type of financial incentive, the export market should receive even greater attention in the future from the U.S. meat industry. ■

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MEF: Beefing Up U.S. Meat Sales Abroad

By Nancy McCarthy

Whether it's through a steak promotion in Denmark, a western-style cookout in Tokyo, or in-store meat displays in the Middle East, the U.S. Meat Export Federation (MEF) is out to change the world's eating habits.

And judging from recent successes, MEF—an FAS cooperator involved in overseas market development for U.S. meats—is achieving that goal.

Sales Success in the Far East

Japan—America's No. 1 export market for grain-fed beef and pork—is MEF's most notable success. During 1977-81, the U.S. share of the Japanese beef market rose from 9 percent to 22 percent. Translated into dollars and cents, that was an increase from $52.5 million to $163.3 million in just four years.

But while U.S. beef is becoming more popular with Japanese consumers, MEF officials say substantial growth in U.S. beef sales to Japan cannot be realized until the Japanese government eases its import quotas.

MEF also is doing its best to see that more Japanese consumers enjoy U.S. pork as well. U.S. pork sales steadily increased from $66.4 million to $143.9 million in the 1977-81 period.

Pork sales may reach 35,000 metric tons, partly as a result of an outbreak of foot-and-mouth disease in Denmark— a major pork supplier—this past March.

Following the outbreak, Japan banned imports of all Danish beef and pork products. But competition in the Japanese market has stepped up as the United States, Canada, Taiwan and Sweden are all vying to fill the product shortfall created by the loss of Danish pork.

U.S. variety meats are also finding a ready market in Japan. The country is now the second largest customer for U.S. variety meats, buying more than $104 million worth last year.

MEF's Tokyo office staff continues to promote U.S high-quality beef, pork, lamb and variety meats through high-profile hotel, restaurant and supermarket promotions. MEF recently conducted a series of industry seminars on U.S. beef and pork. Plans are also underway to publish a buyers' guide to U.S. pork products in Japanese.

Other Asian Markets Have Strong Potential

From the Tokyo office, MEF also coordinates promotional activities in a number of other Far East countries. MEF contractors in Hong Kong and Singapore are busy conducting restaurant and in-store promotions, product demonstrations and industry seminars.

The Tokyo staff sums up the Far East situation outside of Japan this way: "Singapore is our best meat customer, followed by Hong Kong, Taiwan, Indonesia, Korea, Malaysia, the Philippines and Thailand. Each country has the potential for meat sales to hotels and fine restaurants. Tourism will boost meat sales in Hong Kong and Singapore, while the off-shore oil drilling camps in Singapore, Malaysia and Indonesia provide an additional source of customers."

MEF's Work in Europe

Six thousand miles away from Tokyo, MEF's London director James Lennon and Hamburg director Willem Zerk also are touting the advantages of U.S meats.

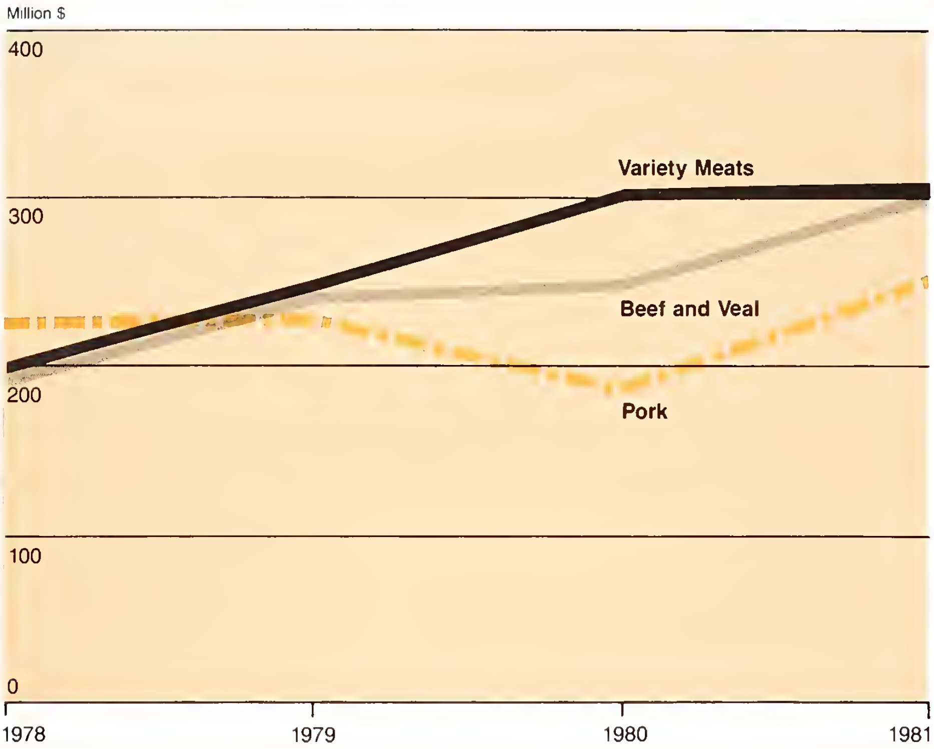
Despite initial setbacks, the United States is beginning to see progress in its grain-fed beef trade with the European Community (EC).

During the second quarter of 1982, the EC issued import licenses for 2,441 tons of U.S. high-quality beef—the most significant quarterly allocation granted by the Community since it initiated its 10,000-ton annual beef quota in 1980. The bulk of this quota went to the United Kingdom (U.K.), which was experiencing short supplies due to the Falkland Islands crisis and its trade embargo against Argentina.

Lennon attributes this increased interest in U.S. beef to both the tight supply situation in the U.K. and MEF promotional activities to acquaint the trade with high-quality U.S. beef.

U.S. beef sales to Europe are also expected to be boosted by an endorsement by Movenpick, a leading hotel and restaurant chain and food product

U.S. Red Meat Exports Are on the Rise



supplier. As a result of efforts by Zerk, Movenpick has given its exclusive endorsement to U.S. portion-controlled beef.

According to Zerk, European consumers recognize the Movenpick brand as a guarantee of quality. "Our portion-controlled beef will be the only beef product to bear the prestigious Movenpick label. That is the best endorsement U.S. beef could have in Europe."

As for U.S. variety meats, Lennon predicts a 5 to 10 percent increase in U.S. variety meat sales in Europe over the next few years, depending on the strength of the U.S. dollar and the price of competing substitute meats. In 1981, the United States sold nearly 110,000 tons or $136 million worth to the EC.

Markets Building In the Middle East

MEF officials expect strong beef demand in Saudi Arabia, Bahrain, Kuwait and the United Arab Emirates. Major importers will be first class hotels and restaurants, supermarkets and caterers. U.S. lamb sales are limited since prices are not competitive with those of Australia or New Zealand.

"The Middle East is a relatively open market," says Lennon, who coordinates MEF's Middle East marketing program. "Our problems are competing with lower priced meats from other suppliers and meeting the Middle East's strict labeling and documentation requirements."

To capitalize on opportunities in this area, MEF has embarked on a two-prong promotional program that calls for generating product publicity through high-profile menu and in-store promotions. At the same time, MEF conducts basic educational and informational activities with importers, distributors, retailers and caterers.

Focus on Latin America

One of the most promising markets for U.S. pork over the next few years is the Latin America/Mexico/Caribbean area.

During 1981, MEF conducted a series of market survey trips in the region, which identified short-term pork sales opportunities in the Dominican Republic (because of an African Swine Fever eradication program) and Venezuela (the result of pork meat and feed grain shortages).

MEF also has been able to identify long-term pork, beef and variety meat opportunities in Aruba, Mexico and other markets. The tourist trade in Aruba is almost entirely dependent on imports, while Mexico's growing population and changing nutritional needs create a demand for meat imports.

To coordinate MEF's market development efforts in these areas, MEF recently appointed A. Severin Johnson as its Latin American director. He will be working closely with hotels, restaurants, supermarkets, importers and consumer organizations throughout the region.

This past summer, Johnson met with importers and trade representatives in Mexico, Aruba and Venezuela. In Mexico City, he assessed interest in U.S. meats and initiated promotional activities.

In Aruba, he finalized promotional plans for a "Best of the West" food festival at a local restaurant, which featured U.S. pork chops, spareribs, beef strip loins and prime rib. While in Caracas, Johnson made initial plans for a U.S. meat promotion at a major hotel. ■

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U.S. Government Programs Boost Dairy Exports

By David McGuire

By historical standards, 1981 was a great year for exports of U.S. dairy products. Sales increased more than 150 percent to $304 million.

But even with this hefty rise, dairy product exports were only 1 percent of U.S. production. And boosting exports is complicated by the fact that U.S. export prices are among the highest in the world.

This is because the dairy support price is determined by government purchases that put a floor under the market for fluid milk and manufactured products.

For example, in October the U.S. support price for manufacturing milk was $13.10 per hundredweight. The result was that price levels in this country were 1-1/2 to 2 times greater than world prices.

Because of the price structure, U.S. dairy product exports generally are moved with the aid of some form of government assistance. These either are Public Law 480 donations or sales from Commodity Credit Corporation (CCC) stocks at reduced prices.

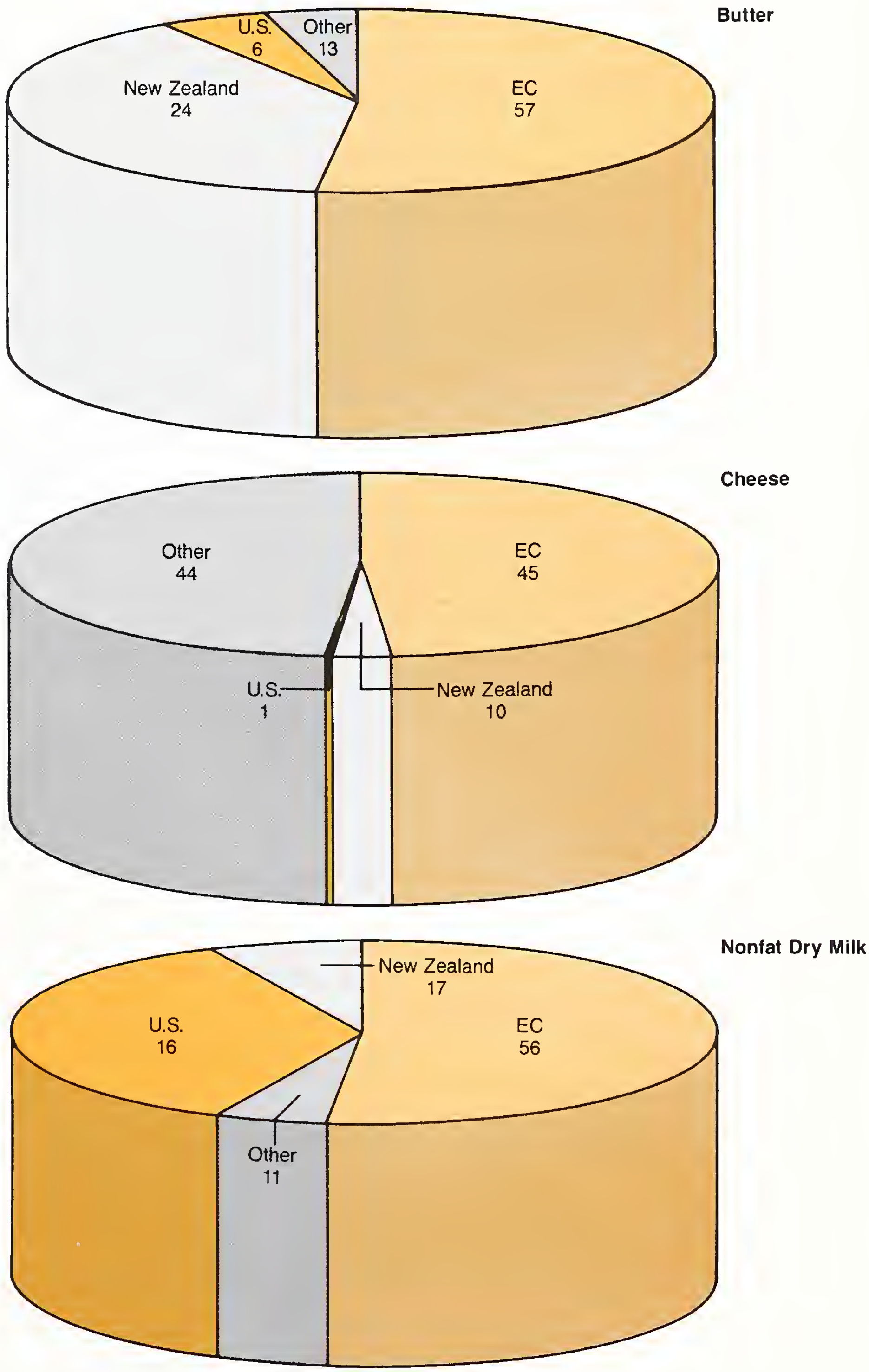
In 1981, these types of donations and sales accounted for almost two-thirds of the U.S. export total—and included 100,000 metric tons of dairy products to Poland, 60,000 tons of butter to New Zealand and 25,000 tons of NFDM to Mexico.

The gap between U.S. dairy imports and exports narrowed substantially in 1981, for the first time in several years.

Sales of butter and nonfat dry milk (NFDM) led the way, as the United States exported nearly $90 million worth of butter and $100 million of NFDM, contrasted with only $1million and $20 million, respectively, a year earlier.

European Community (EC) Owns Largest Share of World's Dairy Exports

(Percent of world exports, 1981)



Also up were exports of processed milk, dietary supplements, cheese and whey—a milk protein until recently considered a waste product of little economic value.

Dairy product exports were $243 million for the first eight months of 1982, showing continuing strength.

EC and New Zealand Top Dairy Traders

The EC and New Zealand currently share about 90 percent of the world trade in dairy products. New Zealand, the world's most efficient milk producer and the second largest exporter behind the EC, has a comparative price advantage over the United States. New Zealand's favorable weather and year-round grazing conditions permit dairy farmers to do little feeding of concentrates. Thus, New Zealand can sell milk at lower prices.

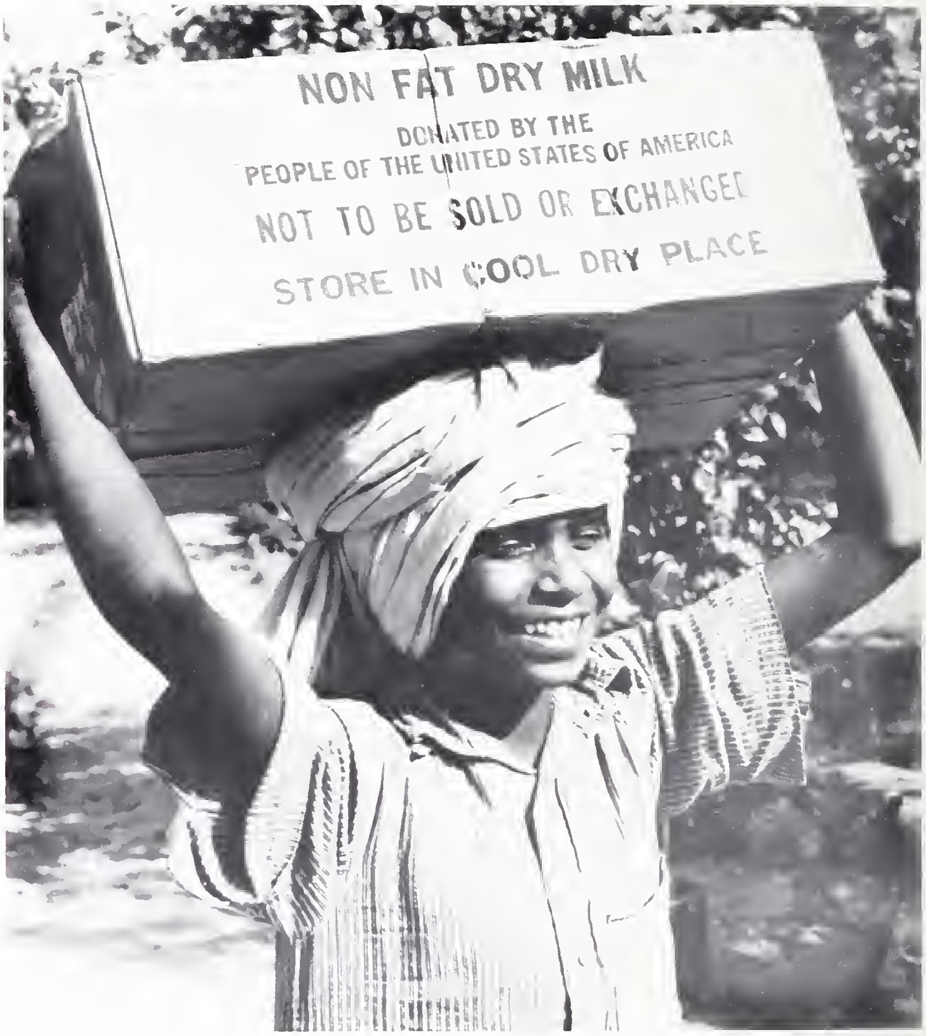
The 10 members of the European Community (EC), which together rank as the largest milk producer, supports domestic milk prices at levels close to those in the United States. However, the EC uses export subsidies when selling outside the EC. This accounts for the Community's competitiveness in third-country markets and explains why the EC is able to set world prices.

In the United States, the CCC spends virtually all of its dairy funds to support domestic dairy prices. In contrast, the EC spends nearly half its annual agricultural budget of $7½ billion to subsidize the sale of surplus dairy products on the world market.

Late last May, the Community's subsidy for butter exported outside the EC was $1,278 per ton.

It also paid subsidies of $1,850 for butter oil and $1,052 for cheddar cheese moving to destinations other than the United States.

Through subsidies of this magnitude, the Community has been able to reduce its dairy stocks from an all-time high of 60 percent of the world total (milk-equivalent basis) in 1978 to around 30 percent in 1982—although world stocks remained nearly unchanged. The United States now holds about 45 percent of world dairy stocks.



New Programs May Help Cut Surplus

Government export assistance has been mentioned by Secretary of Agriculture John R. Block as one possible solution to reducing U.S. stocks.

Export subsidies are expensive and, as the United States often points out to some of its trading partners, they distort trade. However, in the near term, exporting may be the only viable alternative to bring U.S. surplus stock levels down to manageable levels.

In Block's emergency dairy program announced last May, he also suggested ways to increase the use of surplus stocks in various donation programs overseas.

These programs would increase the use of NFDM under Title II of P. L. 480. With the passage of appropriate legislation, CCC-owned stocks would become available as grants to foreign countries through voluntary agencies.

Over the long haul, though, increasing sales of U.S. dairy products will depend on the ability of the U.S. dairy industry to become competitive in world markets. ■

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Exports of Hides and Skins: A Billion-Dollar Business

By Nick Havas

Exports of U.S. hides and skins—and leather—have made spectacular growth over the past decade or so. These sales, along with those of finished leather and products, now amount to a billion-dollar business—in fact, over $1.2 billion in 1981.

The 1970s was a decade of fluctuating world hide production, embargos and rising export demand. U.S. cattle hides experienced considerable price volatility and export growth. Exports shot up from less than $130 million in 1971 to $906 million in 1979, but have fallen off about one-third since then, largely because of lower prices.

In recent years, the United States has exported one-half to two-thirds of its hide production to more than 60 countries, with Japan the leading customer. Other top buyers are Mexico, Korea, Romania, Canada, Italy, Taiwan, Czechoslovakia, Spain and France.

The United States is by far the biggest producer and exporter of hides and skins, and runs a large trade surplus in this category.

During the past 15-year period, 1979 was the peak year with hides from about 70 percent of slaughtered U.S. cattle going into export channels. This compares with only 35 percent in 1967. Although the share has dipped the past two years, it still stood at 56 percent last year.

Since the late 1960s, U.S. exports of leather and products have also risen, but not nearly enough to offset increased imports. As a result, the trade deficit in leather and products has risen sixfold in the past 15 years to about $3 billion in 1981.

Because of this tremendous imbalance in the trade of leather goods, the U.S. tanning industry has been in a decline.

Share of U.S. Hide Exports Still High, Despite Recent Decline

Year	Head slaughtered	Hides exported (Total pieces)	Ratio of exports to head slaughtered
	1,000	*1,000*	%
1967	34,297	11,822	35
1968	35,418	12,841	36
1969	35,573	14,778	42
1970	35,356	15,222	43
1971	35,905	15,963	45
1972	36,134	17,589	49
1973	34,102	16,866	50
1974	37,353	18,429	49
1975	41,464	21,269	51
1976	43,199	25,270	59
1977	42,381	24,488	58
1978	39,970	24,794	62
1979	34,005	23,731	70
1980	34,116	19,568	57
1981	35,219	19,703	56

The number of tanneries and the annual volume of hides processed have dropped sharply—largely because of restrictions on leather imports in other countries.

In 1968, for instance, U.S. tanners processed over 24 million hides, or two-thirds of the available supply from the nation's slaughtered cattle. Since then, the annual volume of hides processed has declined to the current level of 15 million—less than half of the hides available from domestic slaughter.

Is There a Surplus in Hides?

Figures such as these suggest that the United States has a huge surplus of cattle hides available for export. This is not the case.

Per capita U.S. consumption of bovine leather is about eight square feet per year. This is equal to more than 45 million cattle hides. In 1982, U.S. hide production will be below this estimated level.

Considering these facts and the tremendous U.S. deficit in the leather goods trade, U.S. hide producers might find it financially advantageous to join U.S. tanners and manufacturers of leather goods in promoting greater use of U.S.-produced leather products made from domestic hides.

In the export field, more emphasis could be placed on selling finished leather and products instead of raw hides. This would result in larger income for both U.S. hide producers and processors as well as narrow the gap in U.S. international leather trade.

Cooperator Program Works

USDA's Foreign Agricultural Service (FAS) has a cooperator program for promoting exports of U.S. semi- and fully processed leather.

This program has been in effect with the Tanners' Council of America since the mid-1960s. Since then, U.S. leather exports have grown from $40 million to over $275 million in 1981. Despite the general recession in world leather markets and the stronger U.S. dollar, sales in 1982 may exceed the 1981 level.

This is a remarkable achievement considering the marketing barriers faced by U.S. leather exporters.

Whereas most leather enters this country at a 1-percent tariff, U.S. tanners usually face much higher rates and restrictive quotas when selling to other countries.

For example, tariffs range from 7.8 percent in the European Community (EC) to 15 percent in Canada and Australia and 20 percent in Japan. Moreover, Japanese tanners have virtually refused to buy finished leather or leather products, preferring to buy the hides for their own use.

To ship leather to Jamaica, the levy is 250 percent. Mexico and Japan also impose strict quotas and import licensing procedures.

To ease the leather trade deficit and to promote U.S. leather, the Tanners Council and FAS participate in international leather exhibitions. In 1981, U.S. tanners promoted their leather goods at large shows in France, Japan and China and their products received wide trade attention.

In addition to the already successful U.S. hide exports, U.S. marketing representatives are working closely with foreign government and trade officials to capture a share of the highly competitive leather market.

Through aggressive sales programs, the United States plans to keep leather exports on an uptrend. ■

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The Double Edge In the Trade

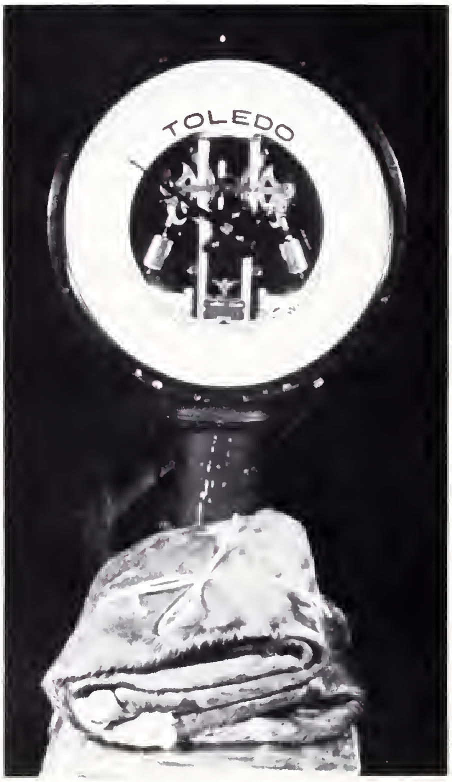
The United States provides raw materials for further processing and manufacturing into leather goods for countries deficient in domestic hides. These countries are also provided practically free access to the U.S. market for their finished leather products produced from U.S. hides. This is the main factor behind the current $3-billion deficit in U.S. export trade in hides, leather and products.

As an illustration of what is taking place, let's look at Korea, Taiwan and Italy—major importers of U.S. cattle hides and, to a lesser extent, U.S. leather. They are also the leading exporters of finished leather products to the U.S. market.

In 1981, these countries imported about $240 million worth of hides and leather from the United States. After processing, the finished products were re-exported to the United States at a value of more than $1 billion — four times greater than the original purchase price from the United States.

U.S. imports of consumer leather products, particularly shoes, also have grown from other countries. As a result, annual U.S. non-rubber shoe and boot production has dropped dramatically, from over 80 percent of the domestic market in 1967 to about 50 percent in 1981.

This year's imports, based on January-June data, indicate that imported shoes could account for as much as 60 percent of the U.S. market. The high level of imports is due partly to lower labor and other production costs in foreign countries. Also, the United States allows nearly free access to its market, despite the highly restrictive trade policies of other countries.



Country Briefs

Belgium

Wine Market Growing For U.S. Exporters

At about 20 liters per person, Belgians drink more wine per capita than their counterparts in any of the other four countries within the European Community that don't produce wine. While France is the biggest supplier, with roughly three-fifths of the Belgian market, U.S. wine exports are growing steadily. In 1981, U.S. sales totaled about 13,000 hectoliters, a 53-percent increase over the previous year. U.S. wines are favorably priced in Belgium vis-a-vis French wines of similar quality.

About 40 percent of all wines in Belgium are sold through U.S.-style supermarkets, 25 percent through hotels and restaurants and the balance through grocery and liquor stores.

Cameroon

Food Imports On the Increase

Food imports by this new oil exporting nation are increasing rapidly, led by growth in rice and wheat imports. Petroleum revenues are likely to transform this economy over the next few years, causing even more rapid import growth. The European Community, primarily France, dominates Cameroon markets for many products. The U.S. share of Cameroon's total agricultural imports ranged from 5 to 12 percent during the 1970s. Major U.S. exports in 1981, which totaled $8.5 million, included rice, sorghum and animal and vegetable oils. Some shifts in market suppliers, particularly for rice, in the past decade and official policies supporting diversification of trade may increase U.S. export opportunities.

France

Agricultural Trade Surplus Soars

France's positive balance of trade in agricultural products (excluding fish and products) was a record high $5.4 billion in 1981. This was primarily the result of a sharp increase in agricultural exports, which totaled $17.5 billion in 1981, or nearly double the value five years earlier. Agricultural exports to countries outside the European Community (EC) almost tripled during the period to $8.1 billion. These exports are being assisted by export refunds (subsidies) from the EC. In1980 these subsidies amounted to $2.12 billion, equivalent to 27 percent of the total export value of French agricultural shipments to non-EC countries.

Grain Exports To Third Countries Boom

France, the world's third largest exporter of grain, is increasingly offering the United States tough competition in world grain markets, particularly in markets outside the European Community (EC). French exports of grain and grain preparations totaled 22.2 metric tons ($4.6 billion) in 1981, well above the 14.4 million tons ($2.4 billion) of five years earlier. While French grain exports to fellow countries in the EC have been trending downward, grain exports to non-EC or third countries have increased rapidly. Grain destined for third-country markets totaled 13.3 million tons in 1981, and represented 60 percent of France's total grain exports. The strong growth is being assisted by EC export credits and export refunds which are essentially subsidies.

India

Prospects for U.S. Export Growth Limited

While sales of wheat have lead to a modest resurgence in U.S. farm exports to India since 1979/80, growth is being restricted by declining Indian dependence on imported food grains and stiffer competition for India's edible oil market, as well as tight government import controls.

India's import regulations have undergone modest liberalization in recent years, but foreign exchange constraints and a desire to protect its domestic agriculture have led to continued strict controls over imports of major food items, including cereals and edible oils. Pulses and inedible tallow face the least protection of any major U.S. agricultural export items to India. Pulses are an important protein source in vegetarian diets and there is a chronic domestic shortage, but U.S. availabilities of pulse varieties preferred by India consumers are small. The Indian market for inedible tallow for use in soaps also is limited.

The P.L. 480, Title II (donation) program is an important vehicle for U.S. agricultural exports to India, accounting for a little more than a fourth of the total in recent years. Major commodities distributed under this program include most of the bulgur wheat exported by the United States, corn, corn-soymilk, nonfat dry milk and some soybean oil.

While India has been the largest single beneficiary of the P.L. 480, Title I, program in the past, there is no Title I program currently because of the declining dependence on imports and the political sensitivity of the food grain self-sufficiency issue. India has a severe balance of payments problem, but still prefers to pay cash for food imports, which are a small portion of its total import bill.

USDA's Export Credit Guarantee (GSM-102) program also is not being used by India because of high U.S. interest rates, the strong dollar, and the fact that India, despite its financial problems, continures to have a very strong commercial credit rating.

Ireland

New VAT Rules Could Cut Imports From U.S.

Changes in Ireland's Value Added Tax (VAT) legislation announced last spring could curtail certain imports from the United States. At the very least, the rules change has made U.S. imports subject to the VAT more expensive since the "low" rate of VAT was increased from 15 percent to 18 percent and the standard rate raised from 25 percent to 30 percent. Most food products and animal feeds are subject to minimal VAT rates. Nonessential items are charged the 18 and 30 percent rates.

However, the most damaging aspect of the rules change is the imposition of the VAT at points of entry on imported goods, rather than following the sale of the goods. Thus, importers must make a sizable outlay to cover the VAT as well as the import duty—which cannot be recovered until the goods are sold, sometimes a considerable period of time. As a result, imported goods are becoming less competitive vis-a-vis goods manufactured or packed in Ireland from domestic raw materials, which continue to be liable for VAT after sale. The imported components of home-produced goods, however, are liable for VAT at point of entry.

Manufacturers believe that unmanufactured tobacco imports will now become liable for a VAT, which previously was charged only on the manufactured tobacco products at point of sale. Irish imports of U.S. unmanufactured tobaccos were valued at over $9 million last year. Other U.S. commodities that will be affected are forest products ($3.3 million in fiscal 1981) and wine ($640,000).

Korea

Competitive Prices Spur Corn Imports

Low prices for imported corn are fueling strong demand for animal feeds, particularly in Korea's swine and poultry sectors. Formula feeding in 1982 is now forecast at 3.9 million metric tons—an increase of 400,000 tons over 1981. Because of its low price, Korean feed producers are finding corn more attractive than tapioca pellets for compounding. Korea is expected to import about 2.5 million tons of corn in the 1982/83 (July-June), up from 2.38 million in 1981/82. The United States supplies almost all of Korea's corn imports.

Singapore

Largest Air Shipment Of U.S. Swine Take Off for New Home

Some 1,500 head of U.S. swine took off on a 747 jumbo jet from Chicago on September 27, bound for Singapore, where they will be part of an agricultural project to upgrade the quality and quantity of Singapore's swine industry. The Duroc, Yorkshire and Landrace hogs from five Midwestern states are the largest air shipment of U.S. pigs in history.

The shipment, a joint venture between the Singapore government and a private Thai firm, is being coordinated here in the United States by the Mid-America International Agri-Trade Council (MIATCO) of Chicago. MIATCO works with the U.S. Department of Agriculture's Foreign Agricultural Service to promote farm exports from 12 Midwestern states.

Singapore buyers have been in the United States since May, visiting farms and selecting and buying the swine, which come from Illinois, Indiana, Iowa, Nebraska and Ohio.

An Illinois firm, which contracted to help buy and ship the hogs, feels that the reduction in cost justifies the increased risk in shipping such a large number of swine at one time. The representative from Singapore in charge of the selection and purchase said that U.S. swine are superior to European and Canadian swine in terms of genetics and health, and are most appropriate for development of the swine industry in Singapore. He said prospects for further trade with the United States are good.

Singapore's goal is to create a swine farm capable of producing 120,000 head of top-quality pigs per year. The animals, which will be used for breeding purposes, will upgrade Singapore's swine population. Average per capita consumption of pork in Singapore is 75 pounds. A large and efficient swine industry would help stabilize market prices there.

Spain

U.S. Could Capture Larger Share Of Barley Imports

Spain's barley imports are expected to reach a record 1 million metric tons in 1982/83 (July-June)—and the United States appears to be in the best position to supply the increased needs. As a consequence, Spain could be the leading export market for U. S. barley for the second straight year.

Both the United States and Canada exported record quantities of barley to Spain in 1981/82 to compensate for Spain's serious 1981 crop shortfall. However, Canadian movement is not likely to increase in 1982/83 given expectations for a smaller crop and Canada's emphasis on the Soviet market. Australia is not expected to break into the Spanish market because of its drought-reduced crop and its current focus on marketing in the Middle East. The European Community (EC), primarily the United Kingdom and France, has been a major supplier of barley to Spain, but in 1982/83 EC barley output is forecast to fall about 10 percent—reducing the likelihood that the EC will meet the increased demand from Spain.

Sweden

Shift in Strawberry Imports Could Benefit U.S.

Swedish importers this year are buying the bulk of their fresh strawberries from Spain instead of Italy, which has long been the dominating supplier. And, this dramatic switch from one supplier to another suggests there is room for expanded U.S. sales if the right kind of berries are available at the right time.

One of the big factors in the shift is that Spanish growers have begun to produce the sweet and juicy strawberries appealing to the Swedish taste. Another important factor is the improved keeping quality of the Spanish berries. In addition, the strawberry season starts earlier in Spain than in Italy and the Spanish strawberries are slightly cheaper than the Italian.

Total Swedish imports of fresh strawberries are fairly constant at about 2,000 tons a year. The U.S. share of imports has been stable at around 65 tons each year, or 3 percent of total imports. The main constraints on U.S. sales are price and distance. However, U.S. berries are available on the Swedish market long before those from southern Europe arrive.

Tunisia

Larger Wheat Imports From U.S. Likely

The projected 4-percent decline in Tunisia's durum production this year will probably lead to a stepup in imports in 1982/83 (July-June). The United States has recently supplied about 90 percent of Tunisia's durum import needs and U.S. sales could increase by 100,000 metric tons over the 1981/82 level of 230,000 tons. However, competition from Greece is increasing. That country sold Tunisia 82,000 tons of durum during January-July 1982, assisted by the European Community's (EC) subsidy on durum exports of over $100 per ton.

The U.S. share of Tunisia's soft wheat imports could also recover from the unusual low of 5 percent in 1980/81. It was 35 percent the year before. The drop in the U.S. share was largely due to a lack of price competitiveness, owing to substantial EC export subsidies. U.S. wheat prices are apparently more competitive with EC prices in Tunisia this year and the United States could capture a larger part of Tunisia's soft wheat market.

West Germany

Durum Tests Not Likely To Influence Imports

West German experiments to produce durum wheat in Bavaria and the Upper Rhine Valley are expected to have little immediate impact on durum imports from the United States, Canada and France—Germany's most important durum sources. But successful tests are likely to cause German wheat farmers to continue to boost durum area, which has grown from 50 hectares in 1981 to 306 hectares in 1982.

West Germany imported 315,727 metric tons of durum in 1970. Of this, 127,600 tons originated in the United States and 181,400 tons in Canada. In 1981, durum imports dropped to only 145,900 tons, less than 50 percent of the 1981 level. Shipments from the United States fell to 98,000 tons. Canadian shipments were also smaller.

One factor in the decision by West German farmers to boost durum area is the success French and Austrian farmers have had raising the crop. Other reasons include the high support price paid for durum under the European Community's Common Agricultural Policy and the interest expressed by the German milling industry.

Between 1970 and 1981, German mills reduced milling by 41 percent, from 248,000 tons to 147,200 tons. West Germany's durum mills are currently operating at only 50 percent of capacity, and it is probably in the interest of German millers to have a domestic source of durum.

The durum produced in West Germany is not yet a significant part of its total grain output. But as more and more farmers become convinced they can get a suitable return from durum, they are likely to increase the area devoted to it steadily.

Farm Exodus Slows

Despite large declines in farm income, few West German farmers are leaving the land because of the country's 8 percent unemployment rate, a record for the postwar period. The rate of decline in the active agricultural work force, after averaging 4 percent from 1967 to 1979, was 2 percent in 1980 and 1.3 percent in 1981. Increases in farm size, one of the keys to reducing the European Community's (EC) high support levels for agriculture, also slowed. This situation is not a healthy one for the EC, which is faced with an increasingly burdensome agricultural budget and surpluses which must be subsidized in order to be sold at world prices.

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